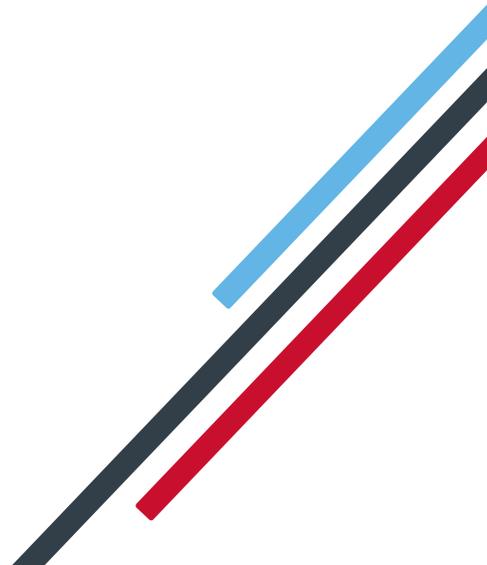


IRIS Payroll Professional

Guide to creating NEST pension deductions

25/08/2015



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Introduction

This guide will give you an overview of how to configure your NEST pension deductions in the payroll. Creating the output file is covered in a separate guide, see the Pension Guide for more information.

The guide covers:

- Creating an employee pension deduction
- Creating an employer pension deduction

NEST permit employers to calculate the pension deduction based on a percentage of Qualifying Earnings, Pensionable Earnings or Total Earnings; for more information click [here](#).

The tax basis of the pension deduction can be via [Salary Sacrifice](#) or [Relief at Source](#).

For instructions on how to setup the employee and employer pension deduction, select your pension scheme option from the list:

- [Salary Sacrifice pension - based on Qualifying Earnings](#)
- [Relief at Source - based on Qualifying Earnings](#)
- [Salary Sacrifice - based on Pensionable Earnings, Total Earnings or Custom Earnings](#)
- [Relief at Source - based on Pensionable Earnings, Total Earnings or Custom Earnings](#)

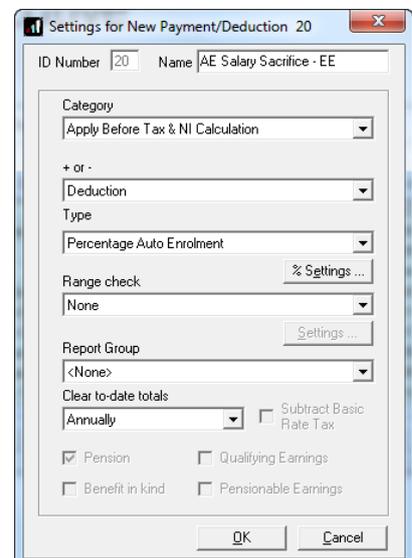
Salary Sacrifice pension - based on Qualifying Earnings

A Salary Exchange pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. On the message asking if you want to use the wizard, click '**No**'
4. Enter a **Name** for the pension deduction
5. In the **Category** field, select '**Apply Before Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Click '**OK**'



The screenshot shows a dialog box titled "Settings for New Payment/Deduction 20". The fields are as follows:

- ID Number: 20
- Name: AE Salary Sacrifice - EE
- Category: Apply Before Tax & NI Calculation
- + or -: Deduction
- Type: Percentage Auto Enrolment
- Range check: None
- Report Group: <None>
- Clear to-date totals: Annually
- Subtract Basic Rate Tax:
- Pension:
- Qualifying Earnings:
- Benefit in kind:
- Pensionable Earnings:

Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter a **Name** for the pension deduction
5. In the **Category** field select '**Display Item Only**'
This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select '**Display Item Only - Hidden from Payslip**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
11. Click '**OK**'

Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage

No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

Configure pension deduction pay elements:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements
3. Click '**OK**'

Payment	Qualifying Earnings	Pensionable Earnings
Salary	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Statutory Maternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Paternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shared Parental Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Adoption Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Sick Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Holiday Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Relief at Source - based on Qualifying Earnings

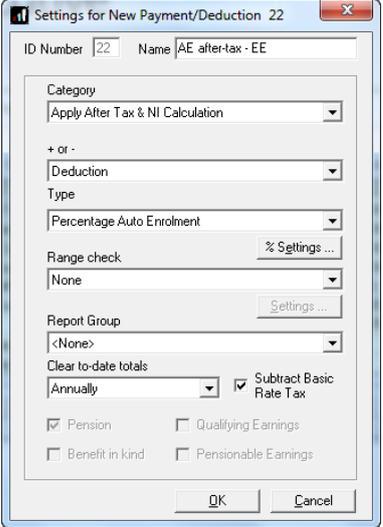
A Relief at Source pension is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC.

In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's standard amount but the actual deduction will be 0.8% from their pay.

A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter a **Name** for the pension deduction
5. In the **Category** field select '**Apply After Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<None>'
10. When **Clear Totals** field is set to 'Annually', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Tick '**Subtract Basic Rate Tax**' box
12. Click '**OK**'



Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter a **Name** for the pension deduction

- In the **Category** field select **'Display Item Only'**

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only - Hidden from Payslip'**

- In the **+ or -** field, select **'Deduction'**
- In the **Type** field, select **'Percentage Auto Enrolment'**
- Range check** should be the default of **'None'**
- Report Group** should be the default of **'<None>'**

- When **Clear Totals** field is set to 'Annually', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
- Click **'OK'**

Enter percentage for the employee and employer pension deduction:

- Go to the **Company** menu and select **'Alter Payments / Deductions'**
- Next to the employee pension deduction, click in the **'Standard'** field and enter the default percentage
- Next to the employer pension deduction, click in the **'Standard'** field and enter the default percentage

No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

Configure pension deduction pay elements:

- Go to the **Pension** menu and select **'Configure Earnings'**
- Tick **'Qualifying Earnings'** box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements

- Click **'OK'**

Salary Sacrifice - based on Pensionable Earnings, Total Earnings or Custom Earnings

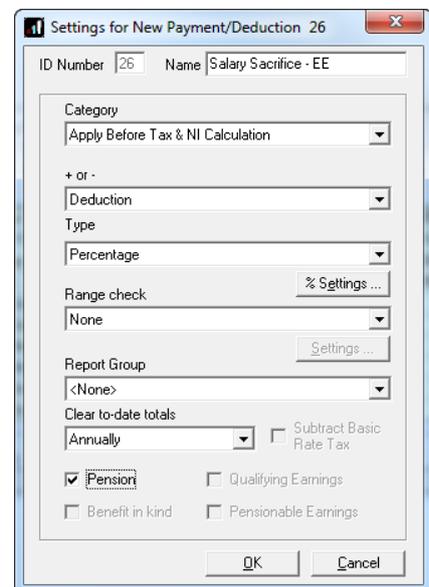
A Salary Sacrifice pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI. NEST expect employer contributions to meet or exceed the statutory minimum and employee contributions to be zero.

The pension deduction is calculated as a percentage of earnings you specified when setting up the NEST scheme by choosing one of the following options:

- **Pensionable Earnings** – set 1 or tier 1 must be equal to or more than the employee's basic pay. Set 2 or tier 2 must be at least 85% of the employee's Total Earnings.
- **Total Earnings** – set 3 or tier 3 includes 100% of an employee's gross earnings as pensionable. This includes any additional pay elements, such as overtime or bonuses.
- **Custom Earnings** – provides you with complete flexibility over the earnings bases and contribution levels.

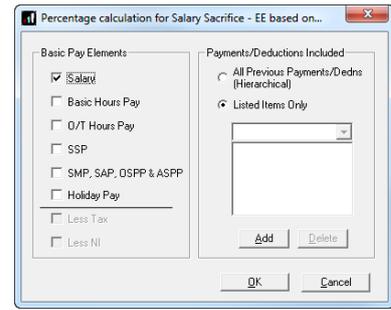
Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply Before Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals



The screenshot shows a dialog box titled "Settings for New Payment/Deduction 26". The "ID Number" is 26 and the "Name" is "Salary Sacrifice - EE". The "Category" is set to "Apply Before Tax & NI Calculation". The "+ or -" field is set to "Deduction". The "Type" is set to "Percentage". The "Range check" is set to "None". The "Report Group" is set to "<None>". The "Clear to-date totals" is set to "Annually". There are checkboxes for "Pensionable Earnings" (checked), "Qualifying Earnings", and "Benefit in kind". There is also a checkbox for "Subtract Basic Rate Tax". The dialog has "OK" and "Cancel" buttons at the bottom.

11. Tick the **'Pension'** box
12. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
13. Click **'OK'** on the **Percentage calculation** screen
14. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction



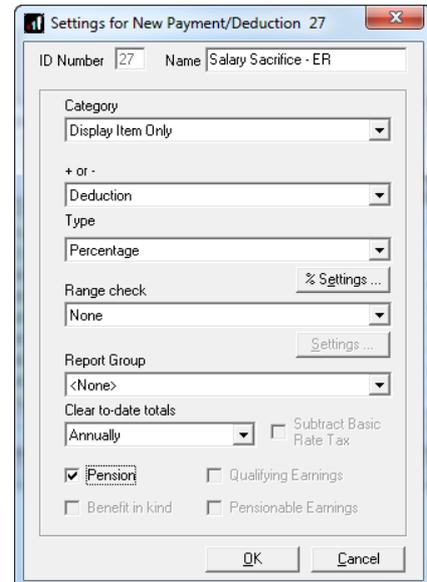
Add employer pension deduction:

1. Go to the **Company** menu and select **'Alter Payments / Deductions'**
2. Click on **'Add New'**
3. Click **'No'** to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction

5. In the **Category** field select **'Display Item Only'**

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only - Hidden from Payslip'**

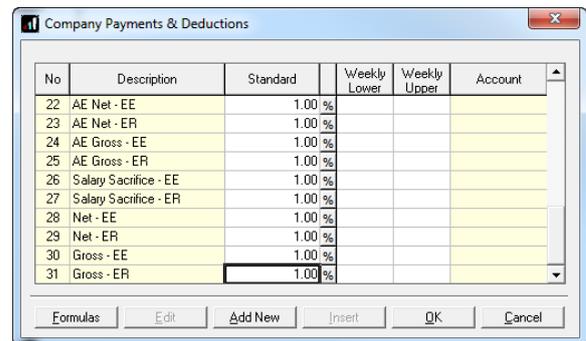
6. In the **+ or -** field, select **'Deduction'**
7. In the **Type** field, select **'Percentage'**
8. In the **Range check** field, leave the default as **'None'**
9. In the **Report Group** field, leave the default as **'<None>'**



10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Tick the **'Pension'** box
12. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
13. Click **'OK'** on the **Percentage calculation** screen
14. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Enter default percentage for the employee and employer pension deduction:

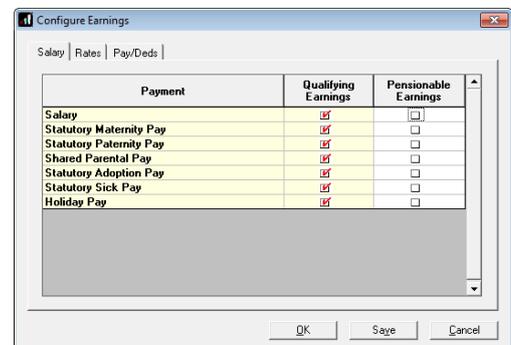
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



No	Description	Standard	Weekly Lower	Weekly Upper	Account
22	AE Net - EE	1.00 %			
23	AE Net - ER	1.00 %			
24	AE Gross - EE	1.00 %			
25	AE Gross - ER	1.00 %			
26	Salary Sacrifice - EE	1.00 %			
27	Salary Sacrifice - ER	1.00 %			
28	Net - EE	1.00 %			
29	Net - ER	1.00 %			
30	Gross - EE	1.00 %			
31	Gross - ER	1.00 %			

Configure Qualifying Earnings:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
3. Click '**OK**'



Payment	Qualifying Earnings	Pensionable Earnings
Salary	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Maternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Paternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shared Parental Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Adoption Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Sick Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Holiday Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Relief at Source - based on Pensionable Earnings, Total Earnings or Custom Earnings

A Relief at Source is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC.

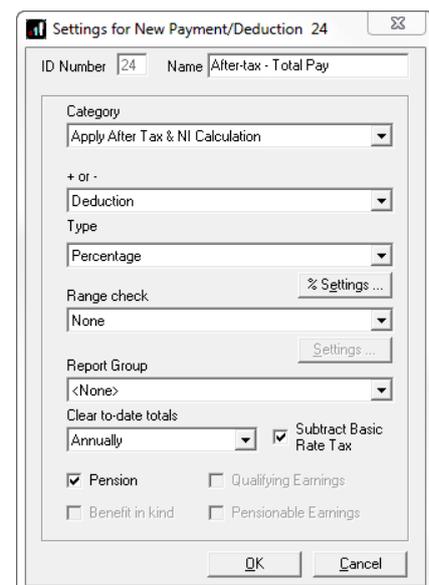
In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's standard amount but the actual deduction will be 0.8% from their pay.

The pension deduction is calculated as a percentage of earnings you specified when setting up the NEST scheme by choosing one of the following options:

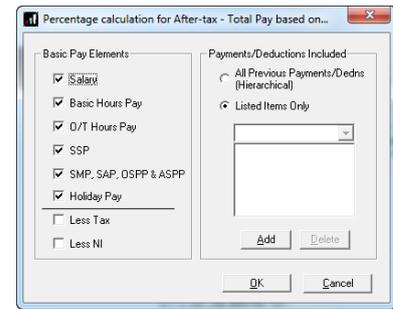
- **Pensionable Earnings** – set 1 or tier 1 must be equal to or more than the employee's basic pay. Set 2 or tier 2 must be at least 85% of the employee's Total Earnings.
- **Total Earnings** – set 3 or tier 3 includes 100% of an employee's gross earnings as pensionable. This includes any additional pay elements, such as overtime or bonuses.
- **Custom Earnings** – provides you with complete flexibility over the earnings bases and contribution levels.

Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply After Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Tick the '**Pension**' box
12. Tick the '**Subtract Basic Rate Tax**' box



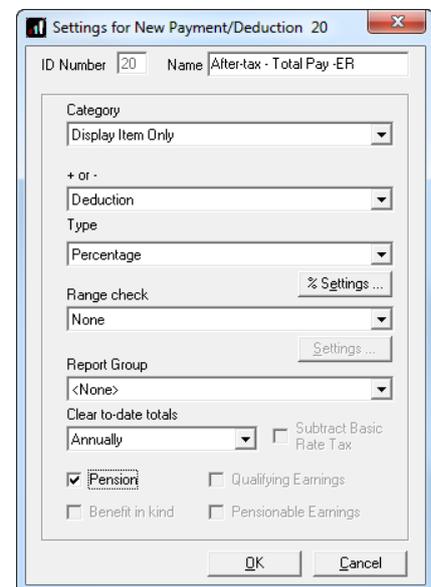
13. Click the '**% Settings**' and then tick all the pay elements you want the pension deduction to be calculated on
14. Click '**OK**' on the **Percentage calculation** screen
15. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction



Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

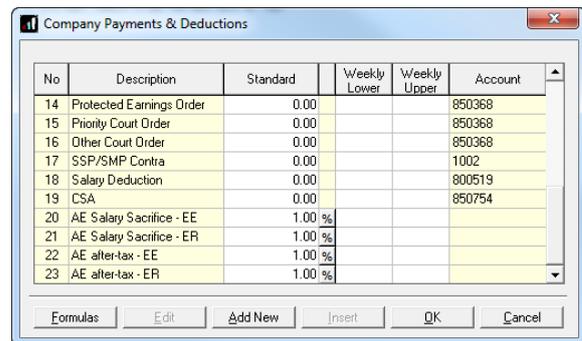
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Display Item Only**'
This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select '**Display Item Only - Hidden from Payslip**'



6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Tick the '**Pension**' box
12. Click the '**% Settings**' and then tick all the pay elements you want the pension deduction to be calculated on
13. Click '**OK**' on the **Percentage calculation** screen
14. Click '**OK**' on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Enter percentage for the employee and employer pension deduction:

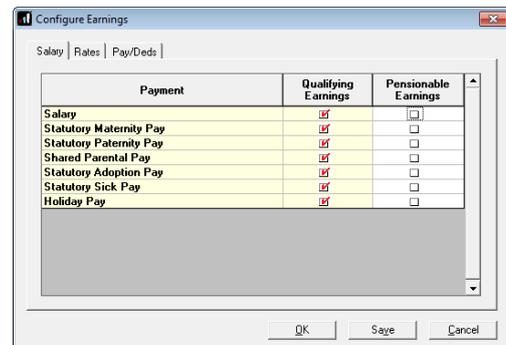
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



No	Description	Standard	Weekly Lower	Weekly Upper	Account
14	Protected Earnings Order	0.00			850368
15	Priority Court Order	0.00			850368
16	Other Court Order	0.00			850368
17	SSP/SMP Contra	0.00			1002
18	Salary Deduction	0.00			800519
19	CSA	0.00			850754
20	AE Salary Sacrifice - EE	1.00 %			
21	AE Salary Sacrifice - ER	1.00 %			
22	AE after-tax - EE	1.00 %			
23	AE after-tax - ER	1.00 %			

Configure Qualifying Earnings:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
3. Click '**OK**'



Payment	Qualifying Earnings	Pensionable Earnings
Salary	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Maternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Paternity Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shared Parental Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Adoption Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Statutory Sick Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Holiday Pay	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary calculations, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600	Tel: 0300 200 3200
Fax: 0844 366 7828	Tel: 0300 200 3211 (new business)
Email: helpdesk@ir-efile.gov.uk	

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0844 815 5700	Tel: 0844 815 5677
Email: sales@iris.co.uk	Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0844 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0844 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0844 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0844 815 5681	support@gppayroll.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	support@earnie.co.uk